

**REPORT OF THE AUDIT OF THE
CASEY COUNTY
FISCAL COURT**

**For The Fiscal Year Ended
June 30, 2014**



**ADAM H. EDELEN
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EXECUTIVE SUMMARY

AUDIT EXAMINATION OF THE CASEY COUNTY FISCAL COURT

June 30, 2014

The Auditor of Public Accounts has completed the audit of the Casey County Fiscal Court for fiscal year ended June 30, 2014.

We have issued an unmodified opinion, based on our audit, on the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Casey County, Kentucky.

Financial Condition:

The Casey County Fiscal Court had total receipts of \$8,187,914 and disbursements of \$8,404,269 in fiscal year 2014. This resulted in a total ending fund balance of \$1,911,188, which is a decrease of \$216,355 from the prior year.

Report Comments:

- 2014-001 The Fiscal Court Should Comply With Bidding Requirements Per KRS 424.260
- 2014-002 The Jailer Should Follow Up On All Outstanding Checks In A Timely Manner
- 2014-003 Inmate Monies Should Not Be Commingled With Commissary Funds
- 2014-004 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs
- 2014-005 The Fiscal Court Should Strengthen Internal Controls Over Payroll
- 2014-006 The Fiscal Court Should Improve Purchase And Procurement Procedures

Deposits:

The fiscal court's deposits as of August 31, 2013, were exposed to custodial credit risk as follows:

- Uncollateralized and Uninsured \$283,348

The fiscal court's deposits were covered by FDIC insurance and a properly executed collateral security agreement, but the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

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ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

To the People of Kentucky

Honorable Steven L. Beshear, Governor

Lori H. Flanery, Secretary

Finance and Administration Cabinet

Honorable Randy Dial, Casey County Judge/Executive

Honorable Ronald D. Wright, Former Casey County Judge/Executive

Members of the Casey County Fiscal Court

Independent Auditor's Report

Report on the Financial Statement

We have audited the accompanying Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of Casey County, Kentucky, for the year ended June 30, 2014, and the related notes to the financial statement.

Management's Responsibility for the Financial Statement

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Management is also responsible for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.



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Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles

As described more fully in Note 1, the financial statement is prepared by Casey County, Kentucky on the basis of the accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

The effects on the financial statement of the variances between the regulatory basis of accounting described in Note 1 and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

Adverse Opinion on U.S. Generally Accepted Accounting Principles

In our opinion, because of the significance of the matter discussed in the Basis for Adverse Opinion on U.S. Generally Accepted Accounting Principles paragraph, the financial statement referred to above does not present fairly, in accordance with accounting principles generally accepted in the United States of America, the financial position of Casey County, Kentucky as of June 30, 2014, or changes in financial position or cash flows thereof for the year then ended.

Opinion on Regulatory Basis of Accounting

In our opinion, the financial statement referred to above presents fairly, in all material respects, the fund balances of Casey County, Kentucky as of June 30, 2014, and its cash receipts and disbursements, for the year then ended, in accordance with the accounting practices prescribed or permitted by the Department for Local Government described in Note 1.

Other Matters

Our audit was conducted for the purpose of forming an opinion on the financial statement taken as a whole of Casey County, Kentucky. The budgetary comparison schedules and capital asset schedule are presented for purposes of additional analysis and are not a required part of the financial statement, however they are required to be presented in accordance with accounting practices prescribed or permitted by the Department for Local Government to demonstrate compliance with the Commonwealth of Kentucky's regulatory basis of accounting and budget laws. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statement. The budgetary comparison schedules and capital asset schedules have been subjected to the auditing procedures applied in the audit of the financial statement and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financial statement itself, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the budgetary comparison schedules and capital asset schedule are fairly stated in all material respects in relation to the basic financial statement.

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Other Reporting Required by Government Auditing Standards

In accordance with Government Auditing Standards, we have also issued our report dated January 30, 2015 on our consideration of Casey County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Based on the results of our audit, we present the accompanying comments and recommendations included herein, which discusses the following report comments:

- 2014-001 The Fiscal Court Should Comply With Bidding Requirements Per KRS 424.260
- 2014-002 The Jailer Should Follow Up On All Outstanding Checks In A Timely Manner
- 2014-003 Inmate Monies Should Not Be Commingled With Commissary Funds
- 2014-004 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs
- 2014-005 The Fiscal Court Should Strengthen Internal Controls Over Payroll
- 2014-006 The Fiscal Court Should Improve Purchase And Procurement Procedures

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

January 30, 2015

CASEY COUNTY OFFICIALS

For The Year Ended June 30, 2014

Fiscal Court Members:

Ronald Wright	County Judge/Executive
David Phelps	Magistrate
Kenny Morgan	Magistrate
David Wethington	Magistrate
Jamey Maupin	Magistrate

Other Elected Officials:

Thomas M. Weddle, Jr.	County Attorney
Tommy Miller	Jailer
Casey Davis	County Clerk
Craig Overstreet	Circuit Court Clerk
Jerry Coffman	Sheriff
Eric Brown	Property Valuation Administrator
Thomas Clark	Coroner

Appointed Personnel:

Debra Vaughn	County Treasurer
Judy Allen	Deputy Judge/Executive

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS

For The Year Ended June 30, 2014

	Budgeted Funds		
	General Fund	Road Fund	Jail Fund
RECEIPTS			
Taxes	\$ 1,251,261	\$	\$
Excess Fees	75,750		
Licenses and Permits	18,361		
Intergovernmental	356,763	2,240,667	2,182,053
Charges for Services	33,952		14,156
Miscellaneous	443,598	416,959	111,524
Interest	15,401	11,029	19,973
Total Receipts	<u>2,195,086</u>	<u>2,668,655</u>	<u>2,327,706</u>
DISBURSEMENTS			
General Government	802,424		
Protection to Persons and Property	41,513		1,793,030
General Health and Sanitation	93,532		
Social Services	1,104		
Recreation and Culture	351,939		
Roads		2,177,888	
Debt Service		23,333	378,235
Administration	942,663	238,319	570,311
Total Disbursements	<u>2,233,175</u>	<u>2,439,540</u>	<u>2,741,576</u>
Net Change in Fund Balance	(38,089)	229,115	(413,870)
Fund Balance - Beginning	580,852	479,712	795,137
Fund Balance - Ending	<u>\$ 542,763</u>	<u>\$ 708,827</u>	<u>\$ 381,267</u>
Composition of Fund Balance			
Bank Balance	\$ 548,722	\$ 709,960	\$ 381,596
Plus: Deposits In Transit			
Less: Outstanding Checks	(5,959)	(1,133)	(329)
Fund Balance - Ending	<u>\$ 542,763</u>	<u>\$ 708,827</u>	<u>\$ 381,267</u>

The accompanying notes are an integral part of the financial statement.

CASEY COUNTY
STATEMENT OF RECEIPTS, DISBURSEMENTS, AND CHANGES
IN FUND BALANCES - REGULATORY BASIS
For The Year Ended June 30, 2014
(Continued)

Budgeted Funds			Unbudgeted Funds		
Local Government Economic Assistance Fund	State Economic Development Fund	Emergency 911 Fund	Casey County Public Properties Judicial Center Fund	Jail Commissary Fund	Total Funds
\$	\$	\$ 238,021	\$	\$	\$ 1,489,282
					75,750
					18,361
18,520			402,500	8,877	5,209,380
		584		327,093	48,108
109	57	706			1,299,758
18,629	57	239,311	402,500	335,970	47,275
					8,187,914
					802,424
		188,194		353,719	2,376,456
					93,532
					1,104
18,500					370,439
					2,177,888
			401,000		802,568
		27,065	1,500		1,779,858
18,500		215,259	402,500	353,719	8,404,269
129	57	24,052		(17,749)	(216,355)
67,381	2,804	19,563	284	181,810	2,127,543
\$ 67,510	\$ 2,861	\$ 43,615	\$ 284	\$ 164,061	\$ 1,911,188
\$ 67,510	\$ 2,861	\$ 44,519	\$ 284	\$ 173,771	\$ 1,929,223
				3,715	3,715
		(904)		(13,425)	(21,750)
\$ 67,510	\$ 2,861	\$ 43,615	\$ 284	\$ 164,061	\$ 1,911,188

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CASEY COUNTY
NOTES TO FINANCIAL STATEMENT

June 30, 2014

Note 1. Summary of Significant Accounting Policies

A. Reporting Entity

The financial statement of Casey County includes all budgeted and unbudgeted funds under the control of the Casey County Fiscal Court. Budgeted funds included within the reporting entity are those funds presented in the county's approved annual budget and reported on the quarterly reports submitted to the Department for Local Government. Unbudgeted funds may include non-fiduciary financial activities that are within the county's control. Unbudgeted funds may also include any corporation to act as the fiscal court in the acquisition and financing of any public project which may be undertaken by the fiscal court pursuant to the provisions of Kentucky law and thus accomplish a public purpose of the fiscal court. The unbudgeted funds are not presented in the annual approved budget or in the quarterly reports submitted to the Department for Local Government.

B. Basis of Accounting

The financial statement is presented on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board. This basis of accounting involves the reporting of fund balances and the changes therein resulting from cash inflows (cash receipts) and cash outflows (cash disbursements) to meet the financial reporting requirements of the Department for Local Government and the laws of the Commonwealth of Kentucky.

This regulatory basis of accounting differs from GAAP primarily because the financial statement format does not include the GAAP presentations of government-wide and fund financial statements, cash receipts are recognized when received in cash rather than when earned and susceptible to accrual, and cash disbursements are recognized when paid rather than when incurred or subject to accrual.

Generally and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) November 1, due at discount November 30, due at face value December 31, delinquent January 1 following the assessment, and subject to sale ninety days following April 15.

C. Basis of Presentation

Budgeted Funds

The fiscal court reports the following budgeted funds:

General Fund - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Department for Local Government requires a separate fund or where management requires that a separate fund be used for some function.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

C. Basis of Presentation (Continued)

Road Fund - This fund is for road and bridge construction and repair. The primary source of receipts for this fund is state payments for truck licenses distribution, municipal road aid, and transportation grants. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Jail Fund - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of receipts for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Department for Local Government requires the fiscal court to maintain these receipts and disbursements separately from the General Fund.

Local Government Economic Assistance Fund - The primary purpose of this fund is to account for grants and related disbursements. The primary sources of receipts for this fund are grants from the state and federal governments.

State Economic Development Fund - The primary purpose of this fund is to account for grants and related disbursements restricted for economic development. The primary source of receipts for this fund is state grants.

Emergency 911 Fund - The primary purpose of this fund is to account for the dispatch expenses of the county. The primary source of receipts for this fund is the 911 telephone surcharge.

Unbudgeted Funds

The fiscal court reports the following unbudgeted funds:

Casey County Public Properties Judicial Center Fund - The purpose of this fund is to account for debt service requirements of the First Mortgage Refunding Revenue Bonds, Series 2011. The Department for Local Government does not require the Fiscal Court to report or budget these funds.

Jail Commissary Fund - The commissary operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit and to enhance the well-being of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Commissary Fund.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

D. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursement to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

The State Local Finance Officer does not require the Jail Commissary Fund to be budgeted because the fiscal court does not approve the expenses of these funds

The State Local Finance Officer does not require the Casey County Public Properties Judicial Center Fund to be budgeted. Bond indentures and other relevant contractual provisions require specific payments to and from this fund annually

E. Casey County Elected Officials

Kentucky law provides for election of the officials below from the geographic area constituting Casey County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statement of Casey County, Kentucky.

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 1. Summary of Significant Accounting Policies (Continued)

F. Deposits and Investments

The government's fund balance is considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition. The government's fund balance includes cash and cash equivalents and investments.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

G. Long-term Obligations

The fund financial statement recognizes bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as disbursements. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as disbursements. Debt proceeds are reported as other adjustments to cash.

Note 2. Deposits

The fiscal Court maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) as required by KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the fiscal court and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

Custodial Credit Risk - Deposits

Custodial credit risk is the risk that in the event of a depository institution failure, the government's deposits may not be returned. The government does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2014, all deposits were covered by FDIC insurance or a properly executed collateral security agreement. However, as of August 31, 2013, public funds were exposed to custodial credit risk because the bank did not adequately collateralize the fiscal court's deposits in accordance with the security agreement.

- Uncollateralized and Uninsured \$283,348

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 3. Trust Funds

Trust funds report only those resources held in a trust or custodial capacity for individuals, private organizations, or other governments.

The fiscal court has the following agency trust funds:

Jail Inmate Fund - This fund accounts for funds received from the inmates. The balance in the Jail Inmate Fund as of June 30, 2014 was \$3,950.

Note 4. Long-term Debt

A. Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011

On November 2, 2011, the Casey County Public Properties Corporation issued First Mortgage Refunding Revenue Bonds, Series 2011. Bond proceeds were used to refund the \$6,375,000 Casey County Public Properties Corporation First Mortgage Revenue Bonds, Series 2002, which was issued for the purpose of constructing a new Judicial Center Facility for lease to the Administrative Office of the Courts.

Casey County Public Properties Corporation First Mortgage Refunding Revenue Bonds, Series 2011 total principal was \$4,280,000 and will require annual principal payments due on August 1 beginning August 1, 2013 for a period of ten (10) years. Interest payments are due semi-annually at a varying rate, ranging from 2% to 3.25% due on February 1 and August 1 beginning February 1, 2012 for a period of ten (10) years. Principal outstanding as of June 30, 2014 was \$3,995,000.

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Scheduled Interest</u>
2015	\$ 390,000	\$ 109,250
2016	405,000	101,300
2017	415,000	91,025
2018	430,000	78,350
2019	445,000	65,225
2020-2023	<u>1,910,000</u>	<u>121,225</u>
Totals	<u>\$ 3,995,000</u>	<u>\$ 566,375</u>

The Casey County Public Properties Corporation (Corporation), Casey County Fiscal Court, and the Administrative Office of the Courts (AOC) entered into a lease agreement dated March 1, 2001, with a lease addendum dated February 1, 2002, wherein AOC shall lease from the Corporation the new judicial center at an agreed rental which is anticipated to pay 100% of the debt service on the bond.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

B. General Obligation Lease

On April 12, 2011, Casey County Fiscal Court entered into a general obligation lease agreement with Fifth Third Bank for the purpose of refunding the Kentucky Area Development Districts (KADD) Leasing Trust Program lease which was used to fund a new detention facility. On May 2, 2011, Casey County Fiscal Court used these funds to pay off the existing KADD lease principal and interest due.

The general obligation lease total principal was \$3,639,523 and required one principal payment on June 1, 2011 of \$57,608 and requires annual principal payments due December 1 beginning on December 1, 2011 for a period of twelve (12) years. Interest payments are due semi-annually at a fixed rate of 3.90% due on December 1 and June 1 for a period of twelve (12) years. Principal outstanding as of June 30, 2014 was \$2,814,692.

<u>Fiscal Year Ended June 30</u>	<u>Principal</u>	<u>Interest</u>
2015	\$ 271,874	\$ 104,471
2016	279,883	93,712
2017	287,701	82,644
2018	294,820	71,285
2019	306,158	59,566
2020-2023	<u>1,374,256</u>	<u>109,630</u>
Totals	<u>\$ 2,814,692</u>	<u>\$ 521,308</u>

C. Road Patcher/Oil Tanker

On April 26, 2011 the Casey County Fiscal Court entered into a three (3) year financing obligation with Monticello Banking Company for the purchase of a road patcher/oil tanker. Total principal amount was \$80,135 with interest rate of 3.71%. The agreement required monthly principal and interest payments. This financing obligation was paid in full during the year ended June 30, 2014.

D. Jail Commissary – JailTracker Hardware

On January 10, 2012 the Casey County Detention Center and the Casey County Jailer entered into a contract with Combined Public Communications (CPC) to provide an inmate telecommunications system at the Casey County Detention Center. In return, CPC agreed to purchase the Digitech Services, Incorporated Jailtracker hardware for the Detention Center. The hardware was valued at \$19,769. CPC purchased the hardware and the Casey County Detention Center pays a \$412 debt service payment monthly beginning in May 2012 for a period of four (4) years. No interest is charged on the debt. Principal outstanding as of June 30, 2014 was \$9,057.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 4. Long-term Debt (Continued)

D. Jail Commissary – JailTracker Hardware (Continued)

Fiscal Year Ended June 30	Principal
2015	\$ 4,944
2016	4,113
Totals	<u>\$ 9,057</u>

E. Changes In Long-term Debt

Long-term Debt activity for the year ended June 30, 2014, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
Revenue Bonds	\$ 4,280,000	\$	\$ 285,000	\$ 3,995,000	\$ 390,000
Financing Obligations	3,114,967		291,218	2,823,749	276,818
Total Long-term Debt	<u>\$ 7,394,967</u>	<u>\$</u>	<u>\$ 576,218</u>	<u>\$ 6,818,749</u>	<u>\$ 666,818</u>

Note 5. Employee Retirement System

The fiscal court has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple employer defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability and death benefits to plan members. Benefit contributions and provisions are established by statute.

Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. Nonhazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 6 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 18.89 percent.

Hazardous covered employees are required to contribute 8 percent of their salary to the plan. Hazardous covered employees who begin participation on or after September 1, 2008 are required to contribute 9 percent of their salary to be allocated as follows: 8% will go to the member's account and 1% will go to the KRS insurance fund. The county's contribution rate for hazardous employees was 35.70 percent.

The county's contribution for FY 2012 was \$474,482 , FY 2013 was \$526,686, and FY 2014 was \$478,419.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 5. Employee Retirement System (Continued)

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Nonhazardous employees who begin participation on or after September 1, 2008 must meet the rule of 87 (members age plus years of service credit must equal 87, and the member must be a minimum of 57 years of age) or the member is age 65, with a minimum of 60 months service credit.

Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55. For hazardous employees who begin participation on or after September 1, 2008 aspects of benefits include retirement after 25 years of service or the member is age 60, with a minimum of 60 months of service credit.

CERS also provides post retirement health care coverage as follows:

For members participating prior to July 1, 2003, years of service and respective percentages of the maximum contribution are as follows:

Years of Service	% paid by Insurance Fund	% Paid by Member through Payroll Deduction
20 or more	100%	0%
15-19	75%	25%
10-14	50%	50%
4-9	25%	75%
Less than 4	0%	100%

As a result of House Bill 290 (2004 General Assembly), medical insurance benefits are calculated differently for members who began participation on or after July 1, 2003. Once members reach a minimum vesting period of ten years, non-hazardous employees whose participation began on or after July 1, 2003, earn ten dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount.

Hazardous employees whose participation began on or after July 1, 2003, earn fifteen dollars per month for insurance benefits at retirement for every year of earned service without regard to a maximum dollar amount. Upon the death of a hazardous employee, such employee's spouse receives ten dollars per month for insurance benefits for each year of the deceased employee's hazardous service. This dollar amount is subject to adjustment annually based on the retiree cost of living adjustment, which is updated annually due to changes in the Consumer Price Index.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement Systems, 1260 Louisville Road, Frankfort, KY 40601-6124, or by telephone at (502) 564-4646.

Note 6. Insurance

For the fiscal year ended June 30, 2014, Casey County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

CASEY COUNTY
NOTES TO FINANCIAL STATEMENT
June 30, 2014
(Continued)

Note 7. Subsequent Events

On January 25, 2012, the Casey County Fiscal Court applied for a \$500,000 Kentucky Community Development Block (CDBG) grant and a \$500,000 grant from Appalachian Regional Commission (ARC) for the Casey County Community and Education Center project. Total estimated project cost is \$3,286,268. Casey County Fiscal Court will commit \$250,000 in matching funds, City of Liberty will commit \$250,000, and the Economic Development Authority of Liberty/Casey County will commit \$125,000 and the City/County debt of \$1,661,268. As of the current date, the \$500,000 CDBG grant has been received and expended but, the \$500,000 ARC has not been received yet. The estimated completion date for the project is spring 2015.

Note 8. Related Party Transactions

A. Wright Implement

For the fiscal year ended June 30, 2014, Casey County Fiscal Court paid a total of \$3,858 to Wright Implement Company, Inc. for various road maintenance supplies and repairs. The County Judge Executive's sister and sister-in-law own Wright Implement Company, Inc. The County's Code of Ethics states "No county officer, county employee, or immediate family member of the officer or employee, shall have an interest in a business, or engage in any business transaction, or activity, which is in substantial conflict with the proper discharge of the public duties of the officer or employee." It further defines "immediate family member" as spouse, child, or person claimed as a dependent for tax purposes; therefore, the County Judge Executive is not in violation of the County's Code of Ethics. Furthermore, the County Judge Executive excused himself from fiscal court meetings that involved Wright Implement Company, Inc. transactions. On February 21, 2000 the County Board of Ethics confirmed there was no violation of the Code of the Ethics.

B. Jail Employee

For the fiscal year ended June 30, 2014, the Casey County Jail Commissary Fund paid a total of \$3,070 to a deputy jailer for cooling bandanas to be used by the inmates. In addition, this deputy jailer was paid \$2,304 for library books for the commissary library. The County's Code of Ethics state "No county officer or county employee shall intentionally use or attempt to use his official position with the county to secure unwarranted privileges or advantages for himself or others." On June 30, 2014 the County Board of Ethics stated "the jail canteen should try to buy all items from a vendor if possible and all profits returned to the canteen account. Jail personnel weren't aware of possible conflict of interest. We find no apparent violation of code of ethics."

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CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

	GENERAL FUND			
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Taxes	\$ 1,217,500	\$ 1,219,163	\$ 1,251,261	\$ 32,098
Excess Fees	105,914	105,914	75,750	(30,164)
Licenses and Permits	22,000	22,000	18,361	(3,639)
Intergovernmental	1,420,000	1,480,817	356,763	(1,124,054)
Charges for Services	41,500	41,500	33,952	(7,548)
Miscellaneous	152,500	223,112	443,598	220,486
Interest	11,000	11,000	15,401	4,401
Total Receipts	2,970,414	3,103,506	2,195,086	(908,420)
DISBURSEMENTS				
General Government	1,830,776	1,889,483	802,424	1,087,059
Protection to Persons and Property	66,200	66,200	41,513	24,687
General Health and Sanitation	119,550	120,050	93,532	26,518
Social Services	1,000	1,105	1,104	1
Recreation and Culture	357,000	370,007	351,939	18,068
Administration	720,888	981,661	942,663	38,998
Total Disbursements	3,095,414	3,428,506	2,233,175	1,195,331
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(125,000)	(325,000)	(38,089)	286,911
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	55,000	55,000		(55,000)
Transfers To Other Funds	(50,000)	(50,000)		50,000
Total Other Adjustments to Cash (Uses)	5,000	5,000		(5,000)
Net Change in Fund Balance	(120,000)	(320,000)	(38,089)	281,911
Fund Balance Beginning	120,000	320,000	580,852	260,852
Fund Balance - Ending	\$ 0	\$ 0	\$ 542,763	\$ 542,763

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

ROAD FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 1,724,288	\$ 2,264,812	\$ 2,240,667	\$ (24,145)
Miscellaneous	5,500	146,178	416,959	270,781
Interest	8,000	8,000	11,029	3,029
Total Receipts	<u>1,737,788</u>	<u>2,418,990</u>	<u>2,668,655</u>	<u>249,665</u>
DISBURSEMENTS				
Roads	1,453,050	2,320,385	2,177,888	142,497
Debt Service	29,000	24,000	23,333	667
Administration	285,738	499,317	238,319	260,998
Total Disbursements	<u>1,767,788</u>	<u>2,843,702</u>	<u>2,439,540</u>	<u>404,162</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(30,000)</u>	<u>(424,712)</u>	<u>229,115</u>	<u>653,827</u>
Other Adjustments to Cash (Uses)				
Transfers To Other Funds	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Total Other Adjustments to Cash (Uses)	<u>(55,000)</u>	<u>(55,000)</u>		<u>55,000</u>
Net Change in Fund Balance	<u>(85,000)</u>	<u>(479,712)</u>	<u>229,115</u>	<u>708,827</u>
Fund Balance Beginning	<u>85,000</u>	<u>479,712</u>	<u>479,712</u>	
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 708,827</u>	<u>\$ 708,827</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

JAIL FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Intergovernmental	\$ 3,080,808	\$ 3,080,808	\$ 2,182,053	\$ (898,755)
Charges for Services	23,959	23,959	14,156	(9,803)
Miscellaneous	92,000	92,000	111,524	19,524
Interest	16,000	16,000	19,973	3,973
Total Receipts	<u>3,212,767</u>	<u>3,212,767</u>	<u>2,327,706</u>	<u>(885,061)</u>
DISBURSEMENTS				
Protection to Persons and Property	2,144,792	2,150,292	1,793,030	357,262
Debt Service	648,517	648,517	378,235	270,282
Administration	1,019,458	1,013,958	570,311	443,647
Total Disbursements	<u>3,812,767</u>	<u>3,812,767</u>	<u>2,741,576</u>	<u>1,071,191</u>
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	<u>(600,000)</u>	<u>(600,000)</u>	<u>(413,870)</u>	<u>186,130</u>
Net Change in Fund Balance	(600,000)	(600,000)	(413,870)	186,130
Fund Balance Beginning	<u>600,000</u>	<u>600,000</u>	<u>795,137</u>	<u>195,137</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 381,267</u>	<u>\$ 381,267</u>

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

LOCAL GOVERNMENT ECONOMIC ASSISTANCE FUND

	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Intergovernmental	\$ 22,500	\$ 22,500	\$ 18,520	\$ (3,980)
Interest	100	100	109	9
Total Receipts	22,600	22,600	18,629	(3,971)
DISBURSEMENTS				
General Government	30,000	11,500		11,500
Recreation and Culture		18,500	18,500	
Administration	67,600	67,600		67,600
Total Disbursements	97,600	97,600	18,500	79,100
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(75,000)	(75,000)	129	75,129
Net Change in Fund Balance	(75,000)	(75,000)	129	75,129
Fund Balance Beginning	75,000	75,000	67,381	(7,619)
Fund Balance - Ending	\$ 0	\$ 0	\$ 67,510	\$ 67,510

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

STATE ECONOMIC DEVELOPMENT FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
RECEIPTS				
Interest	\$ 200	\$ 200	\$ 57	\$ (143)
Total Receipts	200	200	57	(143)
DISBURSEMENTS				
Administration	3,000	3,000		3,000
Total Disbursements	3,000	3,000		3,000
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(2,800)	(2,800)	57	2,857
Net Change in Fund Balance	(2,800)	(2,800)	57	2,857
Fund Balance Beginning	2,800	2,800	2,804	4
Fund Balance - Ending	\$ 0	\$ 0	\$ 2,861	\$ 2,861

CASEY COUNTY
BUDGETARY COMPARISON SCHEDULES
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014
(Continued)

EMERGENCY 911 FUND				
	Budgeted Amounts		Actual	Variance with
	Original	Final	Amounts, (Budgetary Basis)	Final Budget Positive (Negative)
RECEIPTS				
Taxes	\$ 240,000	\$ 240,000	\$ 238,021	\$ (1,979)
Miscellaneous			584	584
Interest	300	300	706	406
Total Receipts	240,300	240,300	239,311	(989)
DISBURSEMENTS				
Protection to Persons and Property	249,000	250,821	188,194	62,627
Administration	56,300	59,042	27,065	31,977
Total Disbursements	305,300	309,863	215,259	94,604
Excess (Deficiency) of Receipts Over Disbursements Before Other Adjustments to Cash (Uses)	(65,000)	(69,563)	24,052	93,615
Other Adjustments to Cash (Uses)				
Transfers From Other Funds	50,000	50,000		(50,000)
Total Other Adjustments to Cash (Uses)	50,000	50,000		(50,000)
Net Change in Fund Balance	(15,000)	(19,563)	24,052	43,615
Fund Balance Beginning	15,000	19,563	19,563	
Fund Balance - Ending	\$ 0	\$ 0	\$ 43,615	\$ 43,615

CASEY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - BUDGETARY COMPARISON SCHEDULES

June 30, 2014

Note 1. Budgetary Information

Annual budgets are adopted on a regulatory basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America (GAAP) as established by the Government Accounting Standards Board and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed disbursements to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Disbursements may not exceed budgeted appropriations at the activity level.

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CASEY COUNTY
SUPPLEMENTARY SCHEDULE
Supplementary Information - Regulatory Basis
For The Year Ended June 30, 2014

CASEY COUNTY
SCHEDULE OF CAPITAL ASSETS
Supplementary Information - Regulatory Basis

For The Year Ended June 30, 2014

The fiscal court reports the following schedule of capital assets:

	Beginning Balance	Additions	Deletions	Ending Balance
Land	\$ 1,236,500	\$	\$	\$ 1,236,500
Construction In Progress	14,137		14,137	
Buildings	16,853,146	219,137		17,072,283
Land Improvements	155,883			155,883
Vehicles	970,462	647,123	705,769	911,816
Equipment	1,895,966	96,391	7,919	1,984,438
Infrastructure	6,114,299	593,086		6,707,385
 Total Capital Assets	 <u>\$ 27,240,393</u>	 <u>\$ 1,555,737</u>	 <u>\$ 727,825</u>	 <u>\$28,068,305</u>

CASEY COUNTY
NOTES TO REGULATORY SUPPLEMENTARY
INFORMATION - SCHEDULE OF CAPITAL ASSETS

June 30, 2014

Note 1. Capital Assets

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported as other information. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings	\$ 25,000	10-75
Building Improvements	\$ 25,000	10-20
Other Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-5
Infrastructure	\$ 20,000	10-50

Note 2. Adjustments to Capital Asset Beginning Balance

The beginning balance for vehicles was decreased by \$9,000 due to a prior year error.

REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF THE FINANCIAL
STATEMENT PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS



ADAM H. EDELEN
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Randy Dial, Casey County Judge/Executive
The Honorable Ronald D. Wright, Former Casey County Judge/Executive
Members of the Casey County Fiscal Court

**Report On Internal Control Over Financial Reporting And
On Compliance And Other Matters Based On An Audit Of The Financial
Statement Performed In Accordance With Government Auditing Standards**

Independent Auditor's Report

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, the Statement of Receipts, Disbursements, and Changes in Fund Balances - Regulatory Basis of the Casey County Fiscal Court for the fiscal year ended June 30, 2014, and the related notes to the financial statement and have issued our report thereon dated January 30, 2015. The Fiscal Court's financial statement is prepared on a regulatory basis of accounting, which demonstrates compliance with the laws of Kentucky and is a special purpose framework.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statement, we considered the Casey County Fiscal Court's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statement, but not for the purpose of expressing an opinion on the effectiveness of the Casey County Fiscal Court's internal control. Accordingly, we do not express an opinion on the effectiveness of the Casey County Fiscal Court's internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statement will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified. We did identify certain deficiencies in internal control, which are described in the accompanying comments and recommendations as items 2014-004, 2014-005, and 2014-006 that we consider to be significant deficiencies.



Report On Internal Control Over Financial Reporting
And On Compliance And Other Matters Based On An Audit Of Financial
Statement Performed In Accordance With Government Auditing Standards
(Continued)

Compliance And Other Matters

As part of obtaining reasonable assurance about whether the Casey County Fiscal Court's financial statement is free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under Government Auditing Standards and which are described in the accompanying comments and recommendations as items 2014-001, 2014-002, and 2014-003.

County Judge/Executive's and County Jailer's Responses to Findings

The Casey County Judge/Executive's and the Casey County Jailer's responses to the findings identified in our audit are described in the accompanying comments and recommendations. The County Judge/Executive's and the County Jailer's responses were not subjected to the auditing procedures applied in the audit of the financial statement and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with Government Auditing Standards in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Respectfully submitted,



Adam H. Edelen
Auditor of Public Accounts

January 30, 2015

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS**

For The Year Ended June 30, 2014

**CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014**

STATE LAWS AND REGULATIONS:

2014-001 The Fiscal Court Should Comply With Bidding Requirements Per KRS 424.260

The Fiscal Court paid a vendor \$199,993 for road materials without obtaining bids. The vendor supplying the road materials was a state price contract vendor for other counties but not for Casey County.

Competitive bidding helps to ensure that the county procures goods and services at the best price available.

The County has not adopted the state's Model Procurement Code and KRS 424.260 states: "Except where a statute specifically fixes a larger sum as the minimum for a requirement of advertisement for bids, no city, county, or district, or board or commission of a city or county, or sheriff or county clerk, may make a contract, lease, or other agreement for materials, supplies except perishable meat, fish, and vegetables, equipment, or for contractual services other than professional, involving an expenditure of more than twenty thousand dollars (\$20,000) without first making newspaper advertisement for bids."

Since the County has not adopted the state's Model Procurement Code, we recommend the Fiscal Court comply with KRS 424.260 by obtaining bids for all purchases involving disbursements of more than twenty thousand dollars (\$20,000) except for those items exempted in the statute or make purchases from correct state price contract vendors.

County Judge/Executive Wright's Response: I was told by vendor & state that Vulcan Materials had state pricing. We did bid this out for the current year.

2014-002 The Jailer Should Follow Up On All Outstanding Checks In A Timely Manner

The Jailer had numerous outstanding checks. The issue dates of these checks were as far back as July 8, 2010. All un-cleared outstanding checks issued prior to this date have been sent to the Kentucky State Treasurer as unclaimed property. KRS 441.137(1)(2) states:

"For any moneys in an inmate account or prisoner canteen account of a jail that are not returned to a prisoner at the time he or she is released from the jail, the jailer shall transmit a check for the balance of the moneys by first class mail to the released prisoner at his or her last known address. If the check is returned as undeliverable, then the jailer shall attempt to contact the prisoner at a telephone number on file, if any to arrange the return of the moneys.

If the moneys are not claimed after the jailer fulfills the requirements of this subsection, the moneys shall be presumed abandoned after one (1) year after the date the check is mailed or, if an attempt to call is made, the date of the phone call. Any abandoned moneys as set out in subsection (1) of this section shall, if in a prisoner account, be transferred into the canteen account if these are two (2) different accounts, or shall remain in the canteen account and be available for the purposes set out in KRS 441.135."

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

STATE LAWS AND REGULATIONS (CONTINUED):

2014-002 The Jailer Should Follow Up On All Outstanding Checks In A Timely Manner_(Continued)

We recommend the Jailer follow up on all outstanding checks by following the procedures of KRS 441.137(1)(2). If monies are not claimed after that they should be transferred to the commissary account.

County Judge/Executive Wright's Response: The official did not respond.

County Jailer Miller's Response: We have took measures to correct this issue in that we send out letter to address we have on file and try and call the number we have recorded for each inmate to try and make contact.

2014-003 Inmate Monies Should Not Be Comingled With Commissary Funds

The Jailer maintains two separate bank accounts to account for receipts and disbursements of the Jail Commissary Fund. The Inmate account is to be used to account for all inmate moneys received and disbursed as refunds or transfers to the Commissary account for commissary purchases by the inmates and jail fees collected from the inmates for payment to the county treasurer. No other receipts should be deposited into this account and no other disbursements should be made from it. Deposits to the Commissary account should only consist of transfers from inmate accounts for commissary purchases and jail fees collected from the inmates as well as any other moneys relating to commissary activities such as interest earned, sale of surplus commissary fund property, etc. As of June 30, 2014 the inmate account balance had a reconciled balance of \$61,631. Based on available records, inmate balances as of that date totaled \$3,950. It was noted there were outstanding checks in the inmate account totaling \$11,884 dating from fiscal year 2010 through 2013. The remaining difference of \$45,797 is considered to be commissary account monies. Sales taxes and various other disbursements were made from the inmates account. By paying sales taxes and other various disbursements from the inmate account, private monies are being used for a public purpose.

KRS 64.850 states "It shall be unlawful for any county official to deposit public funds with individual funds in any bank or other depository or for any such official to withdraw public funds for any purpose other than that which they were received and deposited."

We recommend the Jailer avoid comingling inmate and commissary funds by depositing inmate moneys only to the inmate account and issuing checks from the inmate account only for refunds and transfers to the commissary fund for fees paid and purchases made by inmates. All other receipts should be deposited to the commissary account and all other disbursements should be made from the commissary account.

County Judge/Executive Wright's Response: The official did not respond.

County Jailer Miller's Response: I will take the auditors recommendation into consideration regarding this issue.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES:

2014-004 The Fiscal Court Should Not Pay The Dog Warden's Salary In Addition To Contract Labor Costs

The Dog Warden was receiving a payroll check for which he received a W-2, and received a \$600/month expense allowance for which he received a 1099. The fiscal court can either hire an individual as a county employee or hire the individual as contract labor but not both.

Without reporting all wages with his W-2 salary, the fiscal court is not requiring the Dog Warden to track his accurate time and mileage used in his position. There is an increase in the risk that misstatements of financial activity with time and/or expense will occur and go undetected by the Fiscal Court, when best business practices are not applied.

We recommend the fiscal court implement one of the following options:

- Increase the Dog Warden's salary to include the current rate of \$600/month expense allowance and include on the employees' W-2;
- Keep the Dog Warden's payroll salary the same and require the Dog Warden to prepare a travel/expense voucher at least monthly and turn in receipts for reimbursement.

County Judge/Executive Wright's Response: I believe we are compliant with current statutes. We will look into this further.

2014-005 The Fiscal Court Should Strengthen Internal Controls Over Payroll

Audit testing resulted in the following:

- Three (3) out of fourteen (14) employees tested did not prepare a timesheet.
- One (1) employee's timesheet/timecard was not signed by their immediate supervisor and/or the County Judge/Executive.
- Two (2) employee's timesheets/timecards were not signed by the employee.
- Fiscal Court does not track salaried employee's leave balances.

KRS 337.320(1)(a), (b), and (c) require that "every employer shall keep a record of: (a) The amount paid each pay period of each employee; (b) the hours worked each day and each week by each employee; (c) and such other information as the executive director requires." Timesheets should be kept for payroll verification and as a record of leave time used and to document employees are working at least the minimum number of hours to be eligible for full-time benefits such as retirement and health insurance. The employee and the appropriate supervisor should sign all timesheets.

Lack of proper payroll documentation and internal controls over this area, increases the risk to the Fiscal Court as well as the employee. The risk of misstatements of financial activity and/or fraud will occur and go undetected by the Fiscal Court, or the risk of employees not receiving the correct time available to them increases. Without proper procedures in place to mitigate this risk, Fiscal Court is exposing public resources to potential misstatements and/or fraud.

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-005 The Fiscal Court Should Strengthen Internal Controls Over Payroll (Continued)

We recommend Fiscal Court strengthen internal controls over the payroll process to ensure timecards/timesheets are prepared each pay period for all employees except elected officials, are submitted and signed by employees, and approved by supervisors. In addition, we recommend a periodic review of compensated absences to ensure employees are not being paid for time not earned.

County Judge/Executive Wright's Response: If any employee supervises 2 or more employees I believe they do not have to sign time sheet.

Auditor's Reply: The Kentucky Department of Labor and Fair Labor Standards Act require accurate accounting of employee's time. Most employers use supervisory signatures to meet this requirement. The county's administrative code or other information gathered during the audit identified another way the county ensures accuracy without supervisory approvals; therefore, we reiterate our recommendation that timesheets are submitted and signed by employees, and approved by supervisors to ensure accuracy.

2014-006 The Fiscal Court Should Improve Purchase And Procurement Procedures

Auditors tested ninety-five (95) disbursements from all of the Fiscal Court's budgeted funds and noted the following exceptions:

- One (1) invoice was cancelled incorrectly: incorrect check number was written on invoice.
- Five (5) payments were not paid within thirty (30) working days.
- One (1) disbursement was paid from a quote and not an original invoice.
- Recurring software charges are being paid on a monthly credit card statement without proper supporting documentation.

All invoices should be cancelled when paid to prevent duplicate payments. All original vendor invoices should be maintained including any supporting documentation. All disbursements should be paid within thirty (30) working days.

Lack of proper accounting practices and internal controls increases the risk that misstatements of financial activity and/or fraud will occur and go undetected by the Fiscal Court. Without proper procedures in place to mitigate this risk, Fiscal Court is exposing public resources to potential misstatements and/or fraud.

KRS 65.140 states that "unless the purchaser and vendor otherwise contract, all bills for goods and services shall be paid within thirty (30) working days of receipt of a vendor's invoice except when payment is delayed because the purchaser has made a written disapproval of improper performances or improper invoicing by the vendor or by the vendor's subcontractor". This statute further states "an interest penalty of one percent (1%) of any amount approved and unpaid shall be added to the amount approved each month or fraction thereof after the thirty (30) working days which follow receipt of vendor's invoice by the purchaser."

CASEY COUNTY
COMMENTS AND RECOMMENDATIONS
Fiscal Year Ended June 30, 2014
(Continued)

INTERNAL CONTROL - SIGNIFICANT DEFICIENCIES (CONTINUED):

2014-006 The Fiscal Court Should Improve Purchase And Procurement Procedures (Continued)

We recommend Fiscal Court maintain all original vendor invoices including any supporting documentation, cancel actual invoices upon payment to prevent duplicate payments, maintain current contracts with all required vendors, and approve and issue purchase orders before purchases are made or the work or service is performed. All disbursements should be paid within thirty (30) working days in compliance with KRS 65.140.

County Judge/Executive Wright's Response: The official did not respond.

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**CERTIFICATION OF COMPLIANCE -
LOCAL GOVERNMENT ECONOMIC ASSISTANCE PROGRAM**

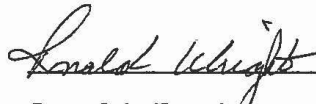
CASEY COUNTY FISCAL COURT

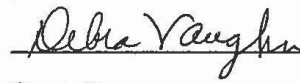
**For The Fiscal Year Ended
June 30, 2014**

CERTIFICATION OF COMPLIANCE
LOCAL GOVERNMENT ECONOMIC ASSISTANCE
CASEY COUNTY FISCAL COURT

For The Fiscal Year Ended June 30, 2014

The Casey County Fiscal Court hereby certifies that assistance received from the Local Government Economic Assistance Program was expended for the purpose intended as dictated by the applicable Kentucky Revised Statutes.


County Judge/Executive


County Treasurer

